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TO RUEHC/SECSTATE WASHDC 0617
INFO RUEHBO/AMEMBASSY BOGOTA 8261
RUEHCV/AMEMBASSY CARACAS 3634
RUEHLP/AMEMBASSY LA PAZ JUL LIMA 3310
RUEHGL/AMCONSUL GUAYAQUIL 4477
RUEATRS/DEPT OF TREASURY WASHDC

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SENSITIVE
SIPDIS

REFTEL: QUITO 464

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TAGS: [ECON](#) [EFIN](#) [EC](#)
SUBJECT: ECUADOR WITHDRAWS FROM WORLD BANK'S ICSID

11. (U) Following President Correa's earlier statements that Ecuador would withdraw from the World Bank's International Center for the Settlement of Investment Disputes (ICSID)(reftel), on July 2 Correa issued a decree declaring that the country was terminating its agreement with ICSID. The decree denounces the ICSID convention based on Article 422 of Ecuador's new constitution, which prohibits the signing of international agreements in which Ecuador would have to cede jurisdiction to international arbitration courts in contractual or commercial matters. It is unclear whether the GOE has submitted its notice to ICSID.

12. (U) According to Article 71 of ICSID's convention, "any contracting state may denounce this convention by written notice to the depositary of this convention. The denunciation shall take effect six months after receipt of such notice." In other words, investors would still be able to bring arbitration cases under ICSID for six months following Ecuador's withdrawal. Ecuador is currently facing more than \$10 billion worth of arbitration demands before ICSID, many of them from foreign energy companies. Correa has said that the withdrawal from ICSID would not affect ongoing cases under ICSID.

13. (SBU) ICSID is an arbitration option in many of Ecuador's Bilateral Investment Treaties (BITs), but most provide for other arbitral forums as well (as does the U.S.-Ecuador BIT). Local analysts are concerned that Ecuador's withdrawal from ICSID will discourage foreign investment in Ecuador. However, foreign companies have not expressed significant concern about the move, possibly because they already have arbitrations in process or are satisfied with the other arbitration options available under their BITs.

HODGES